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C O N F I D E N T I A L SECTION 01 OF 02 KABUL 003036

SIPDIS

SRAP FOR MARY BETH GOODMAN AND BOB DEUTSCH  
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TAGS: ETRD PREL AF PK  
SUBJECT: AF-PAK TRANSIT TRADE TALKS BACK ON TRACK

REF: A. KABUL 3000  
1B. KABUL 2943

Classified By: CDDEA Ambassador E. Anthony Wayne for Reasons 1.4 (b) and (d).

¶1. (C) Summary: In the Foreign Minister's absence, Deputy Foreign Minister Farahi agreed late September 28 to release the Foreign Ministry's hold on the Afghanistan-Pakistan Transit Trade Agreement (APTTA) re-export/smuggling study, according to Commerce Minister Shahrani. However, the Deputy Foreign Minister stipulated that the study could go ahead but it could not &part of8 the APTTA. Upon notification of the study's green-light, Shahrani said the Pakistan side agreed late the same day to participate in the fourth round of APTTA talks in Kabul October 13-14. Shahrani told Ambassador Eikenberry on September 29 it would still be useful for Washington to engage Foreign Minister Spanta on the margins of the UNGA meeting in New York. U.S. officials can usefully emphasize to Spanta that the Afghan government's support for the USAID-funded re-export study is important to carry forward the APTTA process. Shahrani also provided background on the cross-border trade with Pakistan, and commented on poor performers in the existing cabinet and personnel reforms within his own ministry. End summary.

APTTA Snag on "Re-Export" Study Overcome

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¶2. (C) At a September 29 breakfast, Minister Shahrani told Ambassadors Eikenberry, Ricciardone, and Wayne that the earlier APTTA talks snag (ref A) had been overcome the night before when he raised the issue in a meeting of the Afghan cabinet. At that time, Deputy Foreign Minister Farahi had agreed that the USAID-funded study on re-exports (agreed to in principle by both sides in the APTTA third round) could go ahead. However, Deputy ForMin Farahi insisted that the study must be &separate8 and - part8 of the APTTA. Upon notification of the study's green-light late on September 28, the Pakistan side agreed to participate in the next round of APTTA talks in Kabul on October 13-14, Shahrani said.

USAID Afghanistan and Pakistan "Re-Export Study"

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¶3. (C) Shahrani said he believes the USAID-funded re-export study -- yet to be launched -- will take at least six months to complete. He explained there are many informal crossing points between the two countries. He estimated 50 percent of the goods that enter Afghanistan from Pakistan are &re-exported8 to Pakistan. He did not have a numerical estimate for illicit goods entering Afghanistan informally from Pakistan, but noted it was a significant amount especially in border areas.

¶4. (C) Shahrani acknowledged the &unauthorized8 trade issue constitutes a significant problem for Pakistan

industrialists, but it is also a big benefit to Pakistan's border areas. He said he understands that 40 percent of the income in Pakistan's Federally Administered Tribal Areas (FATA) is generated by this "informal trade," and 2-2.5 million people are involved in some way in this informal trade on both sides of the Durand Line. Shahrani added he understands that FATA security forces implicitly support the informal trade because of FATA employment and that many Pakistani traders benefit. However, Karachi industrialists vigorously oppose the trade.

Wagah Border Access Still a Sticking Point

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¶ 15. (C) Shahrani reported Pakistan still refuses to address within the APTTA the issue of Afghan truck access through Pakistan to its Wagah border crossing with India (Refs A & B). He said the Pakistanis up to now have been willing only to make an informal, commitment that Afghan trucks can unload at Wagah for onward consignment to India. Moreover, to protect its own truckers, Pakistani negotiators say Afghan trucks will have to return empty to Afghanistan after unloading at Wagah.

¶ 16. (SBU) As in past meetings, Shahrani stressed that Pakistani trucks can enter Afghanistan and travel through Afghanistan unimpeded to Central Asian countries. As a result, Afghanistan seeks reciprocal access to Pakistan, he said.

Bad Performers in the Cabinet

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¶ 17. (C) In response to Ambassador Eikenberry's question, Shahrani briefly outlined his views of bad performers in the current cabinet. He cited the Energy and Water Minister Ismail Khan as one of the weakest ministries, resulting in unutilized donor funding for power project development and implementation. Shahrani also identified the Ministers of Public Works and Transport as bad managers, and pointed to the Minister of Higher Education as having few achievements. He noted the Labor Minister does not have a labor policy, and the Mining Minister has advanced only one sizeable project to date.

Reform in His Own Ministry

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¶ 18. (SBU) Shahrani reported recently hiring 24 Afghan graduates from India and 45 Afghan university graduates to bring new blood into the Commerce Ministry. These new hires are now in a multi-week training program and will subsequently enter middle management at the Ministry. Shahrani added that 10 people he brought with him from the Ministry of Finance (many of whom were trained by the U.S. Treasury and International Monetary Fund) are currently doing 70 percent of the work in his Ministry. Within twelve months, Shahrani predicted this staffing infusion will significantly improve his ministry's performance.

¶ 19. (C) The Minister added, however, that reform is meeting resistance from officials in the ministry either stuck in the old ways<sup>8</sup> or "old corrupt practices." When he tries to move under-performers, he often receives calls from parliamentarians intent on protecting the status quo via the Afghan old boys network.

Comment

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¶ 10. (C) While the APTTA talks are moving ahead on October 13-14, Shahrani said he feels it would still be useful for Washington to engage Foreign Minister Spanta on the margins of the UNGA meeting in New York. The Foreign Ministry's

continuing insistence that the study be separate, from the APTTA could constitute a serious problem down the road. U.S. officials can usefully emphasize to Spanta that the Afghan government's support for the USAID re-export study is important to carrying forward the APTTA process. End comment.

EIKENBERRY